



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 2/27/2002

GAIN Report #ID2001

Indonesia

Grain and Feed

Rice Update (February 2002)

2002

Approved by:

Kent D. Sisson

U.S. Embassy, Jakarta

Prepared by:

Chris Rittgers/Ninieck S. Alam

Report Highlights:

Heavy rains and flooding since the beginning of 2002 has reportedly adversely effected more than 20,000 HA of rice area, but the full extent of the damage to the crop is not yet clear. Nonetheless, the Ministry of Agriculture remains optimistic that around a 52.0 million ton (33.0 million tons milled) crop can be achieved. Due to Bulog's enhanced program for distribution of subsidized rice to the needy, combined with its stated plans for imports, total imports are forecast to reach 2 million tons in 2002. Stocks are declining, primarily because Bulog is holding less reserves.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Jakarta [ID1], ID

Executive Summary

Heavy rains the entire month of January 2002, caused flooding in many areas. However, the extent of the damage to the rice crop is not yet clear. As of the first week of February, the Ministry of Agriculture reports that permanent damage to the rice crop is still minimal, and in line with average losses in recent years. Thus, with expectations for similar area as the previous year, output in 2002 is forecast to remain about the same as in 2001. In addition, new policies focusing on enhancing producers' access to inputs and credit are expected to provide a slight boost to production in 2002. While the government's third estimate of rice production for 2001 was 50.1 million tons, post's estimate remains at 52.4 million tons. Based on updated data, 2000 rice production has been revised to 51.9 million tons (32.8 million ton milled rice equivalent) and area adjusted to 11.8 million hectares.

Responding to criticism of its previous consumer rice subsidy program, the National Logistics Agency (Bulog) unveiled a new rice-for-the-poor program (RASKIN), replacing the previous Operasi Pasar Khusus program. RASKIN is supposed to increase subsidized rice distribution, reaching around 9.8 million recipients. The objective is to provide 20 kilograms of rice at Rp.1,000/kg per family per month. Total volume of rice distributed by Bulog is forecast to reach 2.4 million tons in 2002, including distribution to the military, the RASKIN program, and market operation programs (OP-Operasi Pasar) for stabilizing prices and natural disasters. Current Bulog stock is reportedly around 1 million tons. In early January, to fend off rising rice prices, Bulog began selling rice onto the market. The program was roundly criticized as too little too late, with rice prices increasing as much as 30 percent in some areas. The cause for the rise in prices led to a variety of explanations among market observers, including, 1) Traders taking advantage of the government's planned energy price hikes; 2) hoarding; and 3) the failure of official policy on rice imports.

The overhaul of rice policy, rumored to be in process, has yet to be announced. The government announced 2002 rice policy (Presidential Instruction No. 9/2001 effective January 1, 2002), stating that the dry, unmilled support price would remain at Rp.1,519/kg, and that the milled rice purchase price at Bulog warehouses would stay at Rp. 2, 470/kg. Import policy also remains the same, with the import duty remaining at Rp. 430/kg or 30 percent. Also consistent with the previous year, the government announced that the 10 percent value-added tax would not apply on rice imports. One notably change in policy was that rice imports would temporarily be exempt from the administratively cumbersome inspection process (red line) at customs, but can be imported without custom inspections (green line). While the import policy remains essentially the same as the previous year, the government is still considering future changes, including a variable import duty based on production cycles and domestic supply conditions.

In a change from the previous two years, Bulog has announced plans to import up to 1.0 million tons of rice in 2002 to meet its domestic distribution requirements, including the expanded demands of the RASKIN program. Bulog has already committed to purchasing 500,000 tons of

15% broken from Vietnam, of which 200,000 tons has already been completed. The remainder will be finalized based on Bulog's nearby needs. Bulog is still struggling to find a new identity following liberalization of imports, and the announcement of its intention to boost imports in 2002 can be viewed as an attempt to expand and reassert its role in rice imports.

As a result of Bulog's expanded import plans, imports are forecast to increase from 1.8 million tons in 2001 to 2.0 million tons in 2002. Indonesia's rice exports remain insignificant, exporting just over 3,000 tons 2001, mainly to Philippines and Malaysia.

Despite considerable substitution away from rice to wheat-based food products (noodle and bread), population growth continues to support rice consumption levels, forecast to reach 36.7 tons in 2002. Due primarily to reductions in the amount of rice Bulog holds, total carry-over stocks have been declining and are forecast to reach 1.9 million tons in 2002.

RICE, MILLED

PSD Table						
Country:	Indonesia					
Commodity:	Rice, Milled				Unit: 1,000 MT	
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Area Harvested	11600	11790	11600	11700	0	11700
Beginning Stocks	6373	6586	3796	4886	1538	3433
Milled Production	32000	32800	32500	33110	0	33180
Rough Production	50633	51900	51424	52389	0	52500
Milling Rate(.9999)	6320	6320	6320	6320	0	6320
TOTAL Imports	1300	1500	1600	1800	0	2000
Jan-Dec Imports	1300	1500	1600	1800	0	2000
Jan-Dec Import U.S.	0	180	0	20	0	0
TOTAL SUPPLY	39673	40886	37896	39796	1538	38613
TOTAL Exports	0	0	0	3	0	0
Jan-Dec Exports	0	0	0	3	0	0
TOTAL Dom. Consumption	35877	36000	36358	36360	0	36700
Ending Stocks	3796	4886	1538	3433	0	1913
TOTAL DISTRIBUTION	39673	40886	37896	39796	0	38613

Note: Unit in 1,000 Ha and 1,000 MT.

Data in the "Old" column reflect FAS/Washington data. For Post's previous PS&D refer to report ID1009.

Production

In 2001, flooding and other production problems were minimal, and inputs were reportedly available throughout the production periods. Thus, the production estimate remains at 52.4 million tons, even though the third government official estimate was announced at 50.1 million tons. Even though the government announce plans to increase area in 2002, rice continues to compete with horticulture crops, and no increase in area is expected. Thus, pending further information on the extent of the flood damage during the first two months of the year, 2002 production is forecast to remain about the same as in 2001.

Consumption

Rice consumption is expected to remain essentially flat. While population growth continues to boost

overall demand for staples, rice is also being replaced by alternatives such as noodles, bread, corn, and cassava.

Trade

Total rice imports for 2001 are estimated at 1.8 million tons. With Bulog's expanded distribution responsibilities, and its stated import plans, imports are forecast to grow to 2.0 million tons 2002. Bulog has announced plans to import up to 1 million tons in 2002. With current international rice prices and the current import duty, imported rice remains competitive compared to the government floor price of milled rice (Rp. 2,470/kg). Problems in distribution due to floods, increases in fuel prices, and short supplies from producing areas were some of the reasons used to explain price increases in earlier January. The significant increase in rice prices during the first three weeks of January 2002 (over 30 percent) led Bulog to sell medium rice quality at Rp. 2,900/kg (compared to an average price of around Rp. 3,600/kg).

Statistical Information and Tables

Rice Production by Area

Rice Production: Area, Production & Yield 1/
Third Estimate Figures by the Government of Indonesia for 2001

Province	Harvest	Production 2/	Yield
	Area (Ha)	(MT)	(100Kg/Ha)
North Sumatra	791,813	3,284,167	41.5
South Sumatra	510,369	1,725,352	33.8
Lampung	491,107	1,953,045	39.8
Sub Total Sumatra	2,845,759	11,108,912	39.0
West Java	2,211,145	10,719,720	48.5
Central Java	1,649,772	8,361,167	50.7
East Java	1,691,610	8,513,686	50.3
Sub Total Java 3/	5,689,568	28,249,182	49.7
West Nusa Tenggara	324,107	1,423,012	43.9
Sub Total Bali & Nusa Tenggara	626,520	2,635,654	42.1
South Kalimantan	441,601	1,383,068	31.3
West Kalimantan	350,876	901,291	25.7
Sub Total Kalimantan	1,038,095	2,920,662	28.1
South Sulawesi	846,142	3,813,986	45.1
Sub Total Sulawesi	1,173,537	5,075,425	43.2
Oth. Islands	38,547	106,651	27.7
TOTAL INDONESIA	11,412,026	50,096,486	43.9

Source: Central Statistics Agency (BPS), Jakarta.

Note: 1/ Third Government Estimate Figures.

2/ GOI Production data: unmilled (rough rice) basis.

3/ Sub Total for Java including production and harvested areas in Jakarta and Yogyakarta.

Rice Production by Season and Type of Irrigation

Year	Season	Total Paddy	Wetland Paddy	Dryland Paddy
		(in 1,000 tons unmilled basis)		
1997		49,377	46,592	2,785
	Jan-Apr	26,742	24,247	2,495
	May-Aug	14,694	14,507	187
	Sep-Dec	7,941	7,838	103
1998		49,237	46,483	2,754
	Jan-Apr	21,745	19,454	2,291
	May-Aug	15,866	15,512	354
	Sep-Dec	11,626	11,517	109
1999 *		50,866	48,201	2,665
	Jan-Apr	25,240	23,028	2,212
	May-Aug	15,581	15,279	302
	Sep-Dec	10,045	9,894	151
2000		51,899	49,207	2,692
	Jan-Apr	25,547	23,180	2,367
	May-Aug	16,419	16,230	189
	Sep-Dec	9933	9797	136
2001 **		24,115	21,989	2,126
	Jan-Apr	24,115	21,989	2,126
	May-Aug			
	Sep-Dec			

Note: * Starting 1999 Data Excluded East Timor Province.

** Preliminary GOI Figures (2nd Estimate).

Source: Central Statistics Agency (BPS).

Retail Prices of Rice

Average Monthly Rice Retail Prices for Jakarta
(Rupiah per Kilogram) 1/

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2000	2,790	2,835	2,700	2,745	2,668	2,670	2,843	2,698	2,663	2,660	2,665	2,667
2001	2,605	2,693	2,843	2,801	2,715	2,748	2,793	2,813	2,815	2,830	2,940	3,030
% chg	(7)	(5)	5	2	2	3	(2)	4	6	6	10	14

Source: Center for Market Information (PIP), the Ministry of Industry and Trade.

1/ Prices for medium grade rice: IR-1

Percent change refers to year-to-year percent change (2000 vs. 2001).

Exchange Rates

Exchange Rate (Rp./1US\$) on Period Month Ending Basis												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1997	2387	2403	2418	2443	2458	2450	2528	2190	3350	3700	3740	5700
1998	13513	9377	8740	8211	10767	15160	13850	11700	11314	9142	7755	8100
1999	9419	8992	8778	8632	8179	6750	6989	7736	8571	6949	7439	7161
2000	7414	7517	7598	7988	8728	8742	9055	8370	8891	9483	9524	9385
2001	9488	9914	10460	11675	11375	11440	9525	8670	9675	10435	10430	10200
2002	10402											

Source: Central Statistics Agency (BPS-Badan Pusat Statistik) and Business Indonesia Daily Newspaper.

Note: - August 2001 exchange rate is quoted for August 27, 2001.
 - September 2001 exchange rate is quoted for September 28, 2001
 - December 2001 exchange rate is quoted for December 26, 2001
 - January 2001 exchange rate is quoted for January 14, 2002
 - BPS data available up to March 2001.

F:\gain\docs\gf\rice0201.wpd

February, 2002